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Import and Export Problems

By J. E. CARRUTHERS
Cost Accountant and Customs and Export Consultant

(Before Toronto Chapter, January 24, 1934)

(The last section of this address, on Exports, is substantially as written by Mr. Carruthers in an article printed in Industrial Canada, August, 1933.)

EVERYONE in Canada, whether realizing it or not, is living in the middle of import problems. With the possible exception of the actual food that is grown and consumed in Canada, practically everything else has some imported product mixed up in it somewhere. It is, therefore, obvious that a certain general knowledge of our customs laws and practices become a very vital item of knowledge, and interwoven into this comes the question of dealing in monetary exchange.

When materials are ordered from some other country, the purchaser wants to know what the landed cost will be. To do this it will be necessary to be well informed concerning:

(1) Fair market value.
(2) Exchange regulations as controlled by the Canadian customs authorities.
(3) The tariff—for the application of the proper duty rate.
(4) The Special War Revenue Act concerning sales and excise tax.
(5) The Customs Act.
(6) Dump duties.

Fair Market Value.

This is by far the most important factor to be conversant with. If popularly understood it will save endless complications with the customs authorities. The Dominion appraisers are taking their instructions from the Customs and Special War Revenue Act and also the various memoranda and circulars issued by the Department from time to time.

Fair Market Value might be interpreted to mean this. The value must include the full average normal factory cost plus normal commercial expenses, to which is to be added a reasonable profit. This figure will represent the selling price of such goods in the usual and ordinary commercial acceptation of the term, and as sold in the ordinary course of trade.

It is obvious that the reason back of this interpretation is to see that merchandise coming into Canada will be priced properly and when the existing rates of duty are applied thereto, they will act as a protection to the Canadian manufacturer against dumping of surplus of other countries priced below cost.

To see that the letter of the law is properly enacted, the Department of National Revenue have officers at different strategical locations in the United States and other foreign countries. The duties of these officers are two fold. First—to check over the invoice values after the goods have been shipped, and second—to work with those foreign firms whose shipments are particularly heavy and establish billing prices before the goods are shipped. This is particularly true where an American Company has a branch factory in Canada to whom they ship parts of assemblies for further manufacture. There

is no selling price published on each of these parts as the American Firm only sell to the public the finished article.

The arriving at a proper billing price on the various assemblies is a particularly difficult problem. However, if those firms that are shipping into Canada the materials in knock-down or partial assemblies, will consult with the Canadian customs authorities either abroad or at Ottawa, a working basis for individual prices can be established which will be accepted at the port through which this merchandise is imported.

The usual way of building up the price on the part is to commence with the price of the finished article and so arrange that the percentage of profit over factory cost that is developed on the finished article is applied to the factory cost of each part of that completed unit which is shipped separately. For example:

List price in U.S.A.	$100.00
Discount 40%	40.00
Net revenue	60.00
Cost	52.18
Profit	7.82
Percentage of profit over cost	15%

The above has developed the fact that 15% profit is made on the completed unit. Therefore if there were ten sub-assemblies or parts to be shipped, each costing as follows, the figure shown here indicates how the fair market value is established on each item:

	Cost	Mark-up	Fair market Value Equals Cost plus 15%
Part No. 1	$2.00	15%	$2.30
" " 2	3.00	15%	3.45
" " 3	1.20	15%	1.38
" " 4	2.40	15%	2.76
" " 5	5.40	15%	6.21
" " 6	8.00	15%	9.20
" " 7	4.80	15%	5.52
" " 8	4.20	15%	4.83
" " 9	1.00	15%	1.15
" " 10	5.00	15%	5.75
	$37.00		$42.55

This means that the duty will be assessed on the fair market value shown opposite each item. If an importer bringing in merchandise does not take the necessary steps to see that his values are properly set before establishing Canadian costs he often finds himself in an embarrassing position of having at some future date to amend his import entries and, if the cost is higher, and his selling prices in Canada are already established, the amount of the extra duties constitute a dead loss.

Another factor which is of interest is to know that a purchased article lying in the stock of an American company from whom you desire to make an emergency purchase, can be purchased by the Canadian company provided that it is shipped out from the U.S.A. in the same condition as received, at a price which will be the U.S.A. landed cost at the factory plus a 5% additional charge to cover handling charges. That is, of course, always provided the Canadian company can persuade their confreres across the line to sell this type of material to them on that basis.

The question of valuation has been outlined, as it really is of paramount importance for an importer to see that once he has imported merchandise and paid duty on it, there will be no possibility of the values being upset with consequent possible upward revision of duties. It would prove most unsettling to any Canadian firm to attempt to carry on business where the landed costs would be subject to violent fluctuations caused—not through price changes—but by revised customs valuations and increased duties. It therefore behooves the Canadian importer to affect an arrangement with the firm from whom the articles are being imported as to values and have them approved by the Customs authorities prior to time of shipment.

During the past few years, the spectre of exchange on "Canadian funds" has reared its head. A situation which has caused considerable arguments and dissensions concerning the applications to prices, increasing them for duty purposes and also the natural resentment that follows having to pay one dollar and ten cents ($1.10) for a dollar article for no apparent reason—(assuming exchange at 10%).

There is also the case of those countries with depreciated currencies, exporting to another country. As an illustration of what could happen, it might be interesting to look at what actually did happen in the U.S.A. when the British pound was selling around three dollars and sixty-five cents ($3.65) in New York funds. Supposing that an article imported when the pound was at par, four dollars and eighty-seven cents ($4.87), and the duty rate was 33⅓%, just see the position of importer and how it would be improved to the detriment of the manufacturer, were exchange factors in duty disregarded.

	Imported at Par $4.87	Imported at $3.65
Merchandise value at	$4.87	$3.65
Duty rate 33⅓%	1.62	1.22
	$6.49	$4.87

The above simple illustration shows that when the pound was depreciated to $3.65, that by the time duty was added to it, the landed cost equalled the pound at par. That is to say, the importer was getting his merchandise in free of duty so that the manufacturer instead of having a tariff protection of 33⅓% practically had nothing. For those countries whose currency had depreciated considerably, it was of great advantage for them to ship to other countries, but only to those whose customs policy did not take exchange into consideration and apply dump duties for the purpose of equalization.

The above might seem irrelevant to the question of purchasing from countries where the currency appreciated instead of depreciated. However, there are two sides to every story and, therefore, if exchange is to be considered in one case it should be considered in the other. It is sometimes hard to justify the increase in value for duty purposes by the addition of exchange, particularly if you happened to be the importer. It simply means that the ultimate consumer has to pay, or the importer does, provided the latter does not adjust his prices in time to meet this new increase in cost.

It is not intended to criticize the working of the existing "Import Regulations" but to discuss them as they exist.

The one point which is not generally recognized is how the costs of imported materials pyramid. For quite awhile during the past year the exchange rate was 15%. This had to be added to the "Fair Market Value," before figuring out the duty. Then on top of that

there is existing the application of a 3% excise tax on the duty paid value. If all facts are taken into consideration, starting with the cost of a part in, say the U.S.A., this part being classified as manufacturer of steel (tariff item 446a) and is to be used in the manufacture of a saleable unit comparable to one that is being manufactured by the Exporter, it would show when exchange was running at 15% that the cost to the Canadian manufacturer as compared to the cost of the U.S.A. manufacturer would be somewhat as follows: (assuming that the "Fair Market Value" was based on cost plus 15%)

U.S.A. cost	$10.00
Add 15% for Fair Market Value	1.50
	11.50
Add 15% for exchange	1.725
	13.225
Add 35% duty of steel mfg.	4.629
	17.854
Add 3% excise tax	.536
	18.390
Increase over U.S.A. cost	83.9%

The above illustration has been given for two reasons, the one to show the applications of the different factors required to build up a landed cost and the other to indicate just how the Canadian manufacturer's costs were affected when exchange was so high. It also might serve to answer some of the questions that are continually being asked as to why prices on some manufactured products are so high in Canada.

Exchange

The application of exchange for duty purposes, when Canadian currency is depreciated, has to be ascertained before preparing the import entry. There is only one thing to remember and that is that the exchange rate shall be the rate that is in effect on the date that the goods are shipped from the source of supply in the foreign country. The Department of National Revenue at Ottawa establish the exchange rate daily and when the date of the shipment has been ascertained, the exchange rate can be obtained by contacting with the local customs officer. If imports were made and put in bond, and six months later were cleared through customs, even though there might be no exchange in effect when these were cleared, and there was exchange in force on the date that the shipment was originally made, then that exchange would have to be added for duty purposes.

Linked up with the question of exchange is the "Dump Duty". It is the schoolmaster's rod of the Department of National Revenue. It makes you be good whether you want to or not. This "Dump Duty" is not applicable on goods of a class or kind **not made in Canada.** The difficulty is to find such materials. However, there are some—but there again the Customs authorities rule on this point —so if the question ever arises concerning this, then apply for a ruling and be sure.

When foreign countries are shipping goods to Canada, whose currencies are depreciated, the value of the invoice in the currency of the exporting country is converted to Canadian dollars at the par rate of exchange. The duty is assessed on that valuation and in addition to that there is a dump duty to be paid equivalent to the

current rate of exchange of the exporting country and the par rate of exchange. These exchange figures are set by the Customs Divisions. The effect of all this means that the landed cost will be entirely based on buying and paying for goods at par.

Where the countries exporting good to Canada have an appreciated currency, it is necessary to make a declaration that settlement will be affected in the currency of that particular country. If it was intended to buy the goods and pay for them in Canadian funds, then the dump duty would again apply. This time the amount would be the difference between the Canadian funds and the funds of the exporting country at the current rate of exchange.

Let us now take a look at the customs invoice as prescribed by the Canadian Customs and there will be found two columns for values. The first represents "Fair Market Value" and the second represents "Selling Price to Purchaser". The former is the basis for duty, unless the selling price to the purchaser is higher. In this event the duty would be assessed on the higher valuation. Usually both columns are filled in with the same value. When the selling price is less than the Fair Market Value, the government collect the difference in the form of "Dump Duty" up to 50% ad valorem, but then only in the case when the goods were of a "class or kind made in Canada". In the event of the goods being of a class or kind not made in Canada the duties would apply on the "Fair Market Value," but if arrangements could be made with the purchaser to accept Canadian funds—that also could be done without fear of the dump duties applying.

At the present time there are two taxes payable on duty paid value of all imports. There is the 6% sales tax and the 3% excise tax. The 6% sales tax need not be paid at the time the goods are imported provided the importer is operating under a wholesaler's or manufacturer's license. These licenses are obtainable from the local collector of Customs under regulations prescribed in paragraphs 95 and 96 of the Special War Revenue Act. An importer quoting his sales tax license on the import entry will not pay this tax.

Concerning the 3% excise tax, there are no exemptions to this unless there are other and higher special excise taxes. This 3% excise tax is payable on the duty paid value of everything even free goods.

There are special excise taxes in force on such items as automobiles, beverages, cigars, etc., and which are covered by schedules prescribed by the Special War Revenue Act and generally speaking such excise taxes are used in place of the 3% excise tax, and are usually paid at the time of importation.

It was suggested at the beginning of this article that the "Customs Tariff" and the "Customs Act" be carefully studied. There are so many lines of business and angles to each that it is impossible to give more than a general outline of the import problems. There is one point that should be read very carefully and that is paragraph 6 subsection 6 of the "Customs Tariff", which sets out the conditions attending the operating of a business in Canada but which is owned and controlled by others in foreign countries. As this is such an important regulation I am going to quote it from the Tariff:

"If at any time it appears to the satisfaction of the Minister that any person owning or controlling or interested in a business in Canada and also in any other country, or any person carrying on a business in any other country and owning or controlling or interested in a business operating in Canada, and by reason thereof is enabled to import goods for further manufacture or assembling or for resale, and while complying with the legal requirements on importation dis-

poses of such imported goods whether in the form as imported or as further processed, assembled or manufactured, at prices below the duty paid value thereof as entered at Customs plus or including all charges upon goods after shipment from the place whence exported directly to Canada, including sales, distribution and advertising costs, and plus, if any, the costs of processing, assembling or further manufacturing in Canada, the Minister may declare that goods of such class or kind were and are on importation subject to an additional special or dumping duty not exceeding fifty per cent and authorize such action as is deemed necessary for the collection thereof."

From the foregoing it can be clearly understood how essential it is for a manufacturer having this type of representation to see that his product must not be sold below cost; the loss to be borne by the owners in these foreign countries. If this were permitted Canadian companies could operate at a loss consistently, the loss being absorbed by the parent company, and offset by them to a certain extent by the profit accruing as the result of the mark-up over their costs necessary to establish the Fair Market Value before exporting to Canada. Legitimate Canadian companies without foreign control would necessarily find the competition too severe to maintain their business.

This regulation is more particularly true concerning those articles which are imported and then resold in the same condition as received, in competition with legitimate Canadian manufacturers.

However, a company which is owned and controlled by a foreign corporation and while performing a very considerable Canadian manufacturing operation is very apt to lose money on their annual business. They have endeavoured to set legitimate prices and have used fair competitive methods—then I do not believe that the intent of this act would be to apply the dump duty even though the parent company was to absorb the loss.

As previously mentioned it is not the purport of this article to either criticize or praise, but merely to outline the facts as they appear. The problems are many and at times hard to work out. The intent behind the various customs regulations is sometimes missed and through lack of a proper understanding, difficulties arise. The best policy to adopt at all times is to talk over your import problems with the local customs authorities, laying all your cards on the table face up. Never attempt to conceal any of the facts. Then if a satisfactory solution to the problem cannot be arrived at through local contact, then there is always the recourse of presenting your case to the chief officers of the Department of National Revenue for reconsideration.

It will usually be found that all the officers of the Customs, Excise and Sales Tax Divisions will do all within their power to render every possible aid. It must not be expected however that they can do something which will be "ultra vires" of the various acts. After all, they are the legal administrators of the customs laws, not the creator of them.

Import problems have always been with us to a greater or lesser degree. They seem more acute when depressed conditions are in the land. One of the reasons for tariff and taxes is to create revenue. We are at present passing through this stage of severe depression with the result that our problems appear at times almost insurmountable. When going hunting in strange forests in the northland, the first thing you do is to employ a guide. The same thing is true with regard to customs—when your problems appear—your best guide is the customs officer.

Exports

In the industrial world, how often have you heard the question asked, "How can I export with a direct loss on every sale?" It is the consideration of this problem that will be dealt with in a general way in this article.

To start at the logical beginning, the first and foremost problem is to know your costs. Not the costs as you know them for the general domestic business and which are used as the basis for establishing domestic prices, but rather your "export costs," which are entirely different.

Let it be assumed here that the problem of entering into the export market arises after an industry has been firmly established to do business in its own country. This is fundamentally sound. It would not be considered entirely safe practice to work up a business which would have to rely entirely on a certain definite proportion of export business.

When a company is established, the primary desire of the management is to set Canadian selling prices so that there shall be the desired return on the capital invested arising out of the business to be secured in the home markets. This practice having been definitely established, it follows that export business might be considered in the light of extra volume which will in no way interfere with the domestic set up.

If this point of considering export business as an unexpected windfall and entirely additional to what has been planned to make the necessary return on the capital investment is kept in mind, it will then follow that export selling prices can be lower than those used in the home market and yet can show an economic profit as well.

Difference in Export Costs

It is true that if the financial statement is studied, an amazing number of red figures would be in evidence provided the same costs were used for both domestic and export sales. It is also true that there is the criticism of the domestic buyer that he has to pay a higher price for his product than he can perhaps buy it for in some export country. There are several answers to this reaction. If there were no exports the prices paid would remain as they always had been. Why then change the price just because exports happened to come along? The money received from exports makes the home country wealthier and part of this added wealth will find its way back, indirectly, into the pockets of the critics.

We, in Canada, are passing through that stage of re-adjustment occasioned by reducing export markets. To some, this experience has proved all but disastrous. It may have been that in a large number of cases the effect of the large export volume caused the domestic prices to be reduced and when the export markets shrivelled up, it became impossible to increase the prices to take care of this loss of volume.

In considering export costs, there are many angles to be reckoned with. In view of what has been already discussed in the preceding paragraphs, it might be as well to see how the costs would be affected by just considering exports as unforeseen added volume. The expenses of an industrial organization may be broken down into several components such as: (1) Fixed Expenses, (2) Non-controllable Expenses, (3) Variable Expenses.

Analysis of Expenses

In the first group come such items as depreciation, taxes, insurance and expenses of a like nature. In the second group come the

salaries and expenses of those permanently required to carry on the business. These expenses are very much the same as fixed charges except that they can fluctuate, but only within a narrow range. In this group would come the salaries of executives, superintendents, foremen, clerical staff, purchasing, material and accounting departments, etc.

The expenses of these two groups are constantly there. Therefore, whether the volume is large or small, these expenses go on just the same.

Referring to the last group, namely the Variable Expenses, these rise and fall in direct proportion to the productive effort—such items as factory supplies, material handlers' wages, electricity and water consumed and many other items required only when applied directly to the manufacturing operations.

Reviewing these various cost items, it it discovered that a basis can be arrived at which can be used as a yardstick for setting export selling prices. Tabulation of these cost factors would appear as follows:

(1) Material Costs.
(2) Direct Labor Costs.
(3) Variable Costs.
(4) Total Basis for Establishing Export Selling Prices.
(5) Non-controllable Expenses.
(6) Fixed Charges.
(7) Total Domestic Cost Used for Establishing Domestic Selling Prices.

From the above illustration it would appear that a selling price established for export that would be greater than the total called for under item Number Four above would create an economic profit. This is the first step toward arriving at a basis for figuring export prices.

Origin of Materials

The next step to take is to examine the materials that are used for fabrication. Some are probably imported. Some are purchased in Canada. But do not stop there—trace the materials right back to their origin. They had to come out of the ground, and if the ground was Canada, that is as far as the quest for information leads, but if the search through the various stages shows that the basic materials have been imported, then this material—indirect though it may be—is as much an imported product as if it were imported direct by the exporting manufacturer.

Drawback Regulations

There are "Drawback Regulations" which are administered by the Canadian Government's Department of National Revenue or Customs Drawback Division. These regulations provide for the return of ninety-nine per cent of all duties paid, upon satisfactory proof being submitted that the finished or semi-finished fabricated articles have been exported from the country. By taking advantage of this situation the duties that are paid on articles used in a completed or semi-completed article are practically all recovered, and, furthermore, all those indirect duties such as are in the various parts purchased from a Canadian supplier are also recoverable. These sources of reducing costs should not be overlooked. The results are often surprising, sometimes leading to the meeting of export prices which had been considered untouchable.

In a previous paragraph attention was drawn to the basis for establishing export selling prices. This is again emphasized, for any manufacturer in Canada who is supplying another manufacturer who in turn is actually exporting is as much an exporter as the exporter of the finished product. Therefore, in purchasing Canadian materials, the exporter has a right to expect that his supplier will give him a better export price than that given for his domestic business. It is "found" business. It cannot be overlooked that in bidding for export markets the competition of the whole world is invited. Prices must be right. If the co-operation of the suppliers is not given, the possibilities for exporting by the ultimate exporter becomes very poor. If, however, he is willing to look for exports on the basis previously outlined, every one of his associates will become partners with him in his foreign trade venture.

Comparison of Costs

Reviewing the various points that have been covered thus far, we might just see what an export cost would look like compared with a domestic cost. We will assume that an article costs one hundred dollars, which will be broken down into material, labor and all other expenses. We will also assume that thirty-five dollars is from domestic purchasers and thirty-five dollars represents direct importations. The first set up will be as follows:

Duty on directly imported materials	$12.25	
Directly imported materials	35.00	
	$47.25	
3% Excise Tax	1.42	
		$48.67
Domestic purchases		35.00
Freight on materials		1.33
Direct labor		5.00
Variable expenses		5.00
		$95.00
Fixed and non-controllable expenses		5.00
		$100.00

It is now necessary to analyze the Canadian purchases to see where the basic materials are purchased and at what price these materials could be purchased for in any other country, choosing for this purpose the country which would quote the lowest figure and use that price (without duties added) as a basis for seeing how far these domestic prices have to be reduced so as to enable the exporter to meet world prices. At this point we will assume that the price of the Canadian purchases should be twenty-five dollars for export. This leaves the suppliers faced with a direct loss of ten dollars at first glance. Further analysis, however, would reveal that about six dollars and fifty cents of this amount could be recovered through duty drawbacks. This would leave only three dollars and fifty cents of a direct loss to be faced which is equivalent to a ten per cent price reduction for export business. As this is new business, something over and above his usual anticipated volume, invariably the supplier can absorb this ten per cent cut and still make an economic profit for his company.

The export costs are now beginning to take form, for on applying the above principle we now find the following results:

	Domestic Cost	Less 1% of Duties	Rebates from Suppliers	Export Cost
Duties paid on directly imported materials	$12.25	$0.12		$0.12
Directly imported materials	35.00			35.00
Duties paid on materials included in domestic purchases	6.50	.07		.07
Canadian purchases less duties	27.70		$3.50	24.20
3% Excise Taxes:				
(a) on direct imports ... $1.42				
(b) on indirect imports .. .80	2.22	.02		.02
Total material cost	83.67			59.41
Freight on materials	1.33			1.33
Direct labor	5.00			5.00
Variable Expenses	5.00			5.00
Fixed Charges and Non-controllable Expenses	5.00			...
	$100.00			$70.74

The above illustration, therefore, shows that whereas the basis for establishing domestic selling prices is $100.00, the basis for establishing export selling prices is 29 per cent lower. Having established these facts, it is then necessary to study the export markets, see what the other countries are charging for the commodity which it is desired to export—then if the competitive prices are such as to allow of an export selling price being set in excess of the "basis for establishing export selling prices" then it is profitable to go after the business for it will surely result in adding to the strength of your company by increased profits.

In dealing with the subject of exports, the Imperial Economic Conference brought about a closer union of the various members of the Empire through increased preferences. This condition brought very much to the fore the question of Empire content, for it was felt, and rightly too, that it was not desirable to have any one member of the Empire receive the advantages of these preferences if the amount of Empire content was negligible.

Some of the Empire countries have a very severe standard and it is not always known just how to go about the business of preparing figures which will satisfy the officials of the country to which the goods are being exported and also to satisfy the exporter. You must be very sure of your position before shipments are made. The standard that is usually accepted is this:—Take domestic costs (do not include packing), get from each one of the suppliers a certificate showing the duty paid and the value of the imported materials in his product, analyze your own costs and put imported materials on one side, including under this heading the summary obtained from the suppliers. Then make another column for domestic or Empire content. In this include (a) the residue from the domestic purchases after deducting the imported materials, duties and excise taxes; (b) freight on productive material but only a proper proportion—as the foreign freight will be considered under the import column; (c) productive labor; (d) factory overhead.

Referring back to the illustration given of a cost to be used as a basis for establishing export prices and applying the principles as outlined in the preceding paragraph, the Empire content of this hypothetical illustration would work out as follows:

	Taxes	Duty	Imported	Domestic	Total
Direct importations ...	1.42	12.25	35.00		48.67
Indirect importations ..	80	6.50	20.00	7.70	35.00
Freight			1.17	.16	1.33
Direct labor				5.00	5.00
Overhead				10.00	10.00
	2.22	18.75	56.17	22.86	100.00

Summary—

		Percentage
Imported Content	$56.17	71
Canadian Content	22.87	29
	$79.03	100

This illustration shows that if 25% Empire content were required, the conditions could be met, but if 50% was the standard, then the requirements could not be met. This example has been worked out so that it could be used as a yardstick for figuring Empire qualifications. In some cases the "exchange" paid on imported materials has been considered as an imported cost item and has therefore made the matter of qualifying more difficult.

A firm going into the export markets would do well to consider some of the points discussed. A very valuable aid in establishing export markets is the service rendered by the Commercial Intelligence Department, a department operated by the Dominion Government. This department is constantly in touch with the Canadian trade commissioners who are situated all over the world. It also keeps a thoroughly up-to-date record of all foreign and Empire tariffs. In addition to this government department the Canadian Manufacturers' Association, with its head office in Toronto, can prove of invaluable assistance in the study and developments of export trade.

Export trade properly developed is wealth. We all need the wealth—so the development of export markets should be the aim of all.

BUDGETARY CONTROL COMMENDED BY CANADIAN NATIONAL EXHIBITION

The financial statement of the Canadian National Exhibition for 1933, includes the following comment:

"Although total revenues declined $113,331, accounted for by the decrease in exhibit space revenues and in entertainment revenues, the management, by establishing budgetary control over expenditures on a reduced basis, was able to record a surplus for the year after meeting all expenses, including debt charges on new buildings."

Persistent Suitor: If you marry me, I'll take out a big insurance policy on my life, so that you will be well provided for.

Bored Girl: Yes, but suppose you don't die?

Some Aspects Of Industrial Retraction

By G. I. MacKENZIE
Northern Electric Company, Ltd., Montreal.

(Before Montreal Chapter, October 20, 1933)

IN this brief address I shall try to outline some of the fundamental changes that are taking place in industry, changes which either originated or have been accelerated since 1929, a period of four years of very unusual economic and industrial conditions.

Someone might be inclined to criticise the implied meaning of this subject "Industrial Retraction". These words undoubtedly imply that industry has been backward, losing ground, and it is quite possible to point out a few examples where expansion has taken place. Perhaps the best known illustration of this is the gold mining industry which at the moment is very prosperous, but leaving out the rare exception, I feel quite safe in saying that world production in general has been greatly reduced, that plant expansion is negligible, that large scale unemployment exists, and that reserve funds are no longer covered with dust.

Quite frequently someone writes an article or makes a speech telling us that hard times are good for the people, that continuous prosperity would be the ruination of the world, that it is quite necessary to check the speed of progress once in a while that the people will get back to saner living, wiser spending, moral health and many other virtues. Philosophy of this type is my pet aversion. Can you recall any great social benefits arising out of long periods of forced idleness, Since opinions vary with the individual, you may have mine for what it is worth; namely, that a few years of widespread unemployment with its associated poverty, unrest and discouragement is far worse for the people than a Century of Progress.

One phase of our industrial problem revolves around the question of productive capacity and production costs. Without going into statistics, we all know from periodic reports something about the present output of several large industries. We know that steel production is below fifty per cent capacity, that electrical power machinery is far below that of four years ago, also radio, railroad equipment and telephone apparatus. These are industries that normally employ large numbers of people, that build up large surpluses of money, that also build up enormous fixed charges in plant and equipment. The operations of these industries are designed for mass production and correspondingly low unit costs. When orders begin to fall off, selling prices are forced lower, but due to reduced output unit manufacturing costs increase. The effect of this condition on profits is evident and efforts to restore the usual margin of profit are directed toward lower costs rather than toward increased selling prices.

Obsolescence

When management attempts to lower production costs, one of the first attacks is directed at labour output. Due to the continuous development of labour saving machinery, it will be found that new equipment is available, equipment that will produce more and better goods per man hour, a condition that was widely discussed a year ago

when Technocracy was in full bloom. But when the company already has good equipment standing idle, purchased only three or four years ago and scarcely used, what is to be done? Should it be scrapped in favour of something more modern in order to reduce the unit manufacturing costs or should the company keep the fixed charges down and spend the money on sales promotion? The economics of this problem is a cost accounting job and is subject to many variable factors depending on the nature of the product; therefore, no general answer can be given.

During the last few years this question of obsolescence has become increasingly important. It has been further accelerated by the annual model racket. Manufacturers feel that in order to sell goods, it is necessary to change the style periodically and where possible, improve the appearance. Selling organizations put a great deal of stress on the question of appearance, and improvements have been so rapid that the process may now be called "Industrial Face-Lifting". Every change, however, necessitates the substitution of new tools and processes in place of the old ones, and the profits realised from increased sales are spent in writing off obsolete equipment. In specialty manufacture the buying fever may last only a few weeks and the entire cost of tooling for production must be charged directly to the first output.

The rate of change in design is very evident when you try to replace an article that was purchased three or four years ago. Just recently I shopped all over the city for a bowl type light reflector to replace a broken one of recent design. Wholesale houses dealing in this merchandise said that the type I wanted was obsolete. The reflectors being offered were no better, but merely different, and no doubt perfectly good moulding dies were scrapped in order to make the change. Industry is therefore striving to keep up production and sales by lowering costs and improving appearance, but these efforts have been a decided factor in accelerating the rate of obsolescence.

New Product Development

A second effort being made by industry to keep the budget balanced is the development and manufacture of new products, articles that are useful yet inexpensive, with a strong consumer appeal. Anyone following the records of application for patents will realise that there is no depression in the world of ideas, and one can't walk through a department store without seeing articles for sale that are entirely new creations.

The development of new products has of course, been going on for years, and laboratory research has been responsible for many new products and many new industries. This scientific work is still progressing but we now have the additional incentive of developing products that will employ idle equipment. Formerly, machines were developed to produce a special product, but now special products are developed to keep the machines running at least part time.

When big industries enter the specialty manufacturing field, they meet two difficult problems; namely, competitive costs and lack of sales enthusiasm. Consider first the question of production cost. As mentioned before, the main object is to employ idle equipment, but this equipment has an established loading rate based on its regular product and yearly output. For example, it may be a heavy punch press which is normally set up once a month and produces five hundred thousand punchings a year. The set-up may require a day or two days, but on such a large output the unit cost of punchings is not seriously affected. To apply the same machine loading and set-

up charge to a small special order of perhaps one thousand parts, the unit costs is prohibitive and the selling price of the completed article will be out of all reason. Assuming that the article can be produced for a reasonable price the second problem is to sell it. The sales organization does not know anything about the product, does not know the market, and does not know how to peddle goods of this kind. Furthermore, the individual salesman is not interested. Can you picture a man who has been selling braided cotton covered wire for years getting very enthusiastic over the merits of braided cotton shoelaces or braided cotton fishing lines which can be made on the same machine?

For industry to successfully handle this type of business it is necessary to set up a special products department, a special price structure which is entirely divorced from established loadings, and a specialty selling force. Some companies have done this, and, being able to purchase raw materials at preferential discounts, having the financial resources to withstand occasional losses, and having a technical staff to do the actual development and engineering work, these companies are cutting into the field of the small specialty manufacturer and may ultimate dominate it.

Service to Customers

Another development of hard times has been an improvement in service to the customers. This has been caused largely by competitive necessity and delayed purchasing. The public delay their purchase of an article until it becomes an absolute necessity and then demand immediate delivery.

The supplier, who is prepared to make this prompt delivery, gets the business. Therefore, service departments have had to step lively, and in many cases spend a substantial sum of money to improve methods of shipping and distribution. This applies not only to luxuries but to necessities as well. A bakery executive recently told me that his firm had spent over ten thousand dollars this year in remodelling and improving their delivery systems so that a customer would have immediate service on any order. The public should realise that such service is costly and that the cost is ultimately borne by the consumer; therefore, it would be advisable to exercise a little restraint in demanding this super-service in order to prevent the supplier from going to ridiculous extremes.

The internal organization of most industries has become greatly simplified by physical contraction and this has been of direct benefit to the service departments. A few years ago the tendency was to expand, branch out, establish plants and offices at various locations and control operations by very definite routines. Under this condition the employees lost the direct contact with each other and the business was carried on by correspondence with inevitable delay. Any departure from an established routine would confuse the entire organization, and special attention to a particular order was practically impossible.

The expansion tendency has now been superseded by extensive plans for contraction. Branch plants and offices are being closed, and general departments consolidated. When all the employees are located under one roof, inquiries and orders can be handled more rapidly and economically, due to the elimination of unwieldy routines, more direct supervision, and the centralization of responsibility. These factors all react in favour of better service to the customers.

Morale

While physical contraction with the associated service benefits may please the purchaser, it is important to consider the effect on the morale of the employees. Consolidation of departments is almost sure to reveal duplication of effort, and when this overlapping is eliminated, it will be found that a smaller staff can handle on equal volume of work. From the employers' point of view, the introduction of any methods that will further reduce the non-productive payroll is very desirable. These apparent benefits, however, are offset partially at least, by the inevitable effect on the goodwill of the employees.

The employees are not slow to realise that every contraction and every new method places them one step nearer the ranks of the unemployed. They carry on in a state of perpetual fear that every pay day will be the last, and they are quite justified in being afraid to spend any money apart from bare necessities. This condition is very evident in the field of night school education. The young short service men and women who would like to embark on some course of evening study, are hesitant to spend the few dollars required for books and tuition. I have been associated with evening schools in a teaching capacity for the last ten years, and never during that period have the students and the schools been so financially embarrassed as they are at the present time. Every year since 1929 there has been an increasing number of students forced to discontinue their studies, and this has had an adverse effect on the attitude of prospective students because they have personally witnessed the plight of their associates.

Another factor of Industrial Contraction affecting employees of all ages is the tendency toward general demotion. A few years ago an employee would work hard and conscientiously in the hope of being rewarded by promotion to a better position and a larger salary. Everyone had his plans for the future based on hopes and promises of advancement. When the slump came, the less valuable employees were discharged first and their places were filled from the ranks above. With each succeeding layoff this process was repeated, and now we see able intelligent men who were quite capable in the upper ranks reduced to a file clerk's job at a file clerk's pay. Their ambitions are wrecked, incentive wiped out, standard of living lowered, and hopes for the future a thing of the past. In addition to this complete loss of morale they have also lost their savings, their homes, their insurance protection for the family, and in many cases their health.

To my mind, the greatest losses occasioned by the depression are:—

(1) The lack of opportunity for young men and women to carry out a program of day work and evening study, and

(2) The general demotion of those who are still employed, many of whom are discouraged beyond redemption.

Administration

Another possible change is being brought about by Industrial Retraction in the field of Administration. During the past fifty years industry has been operated by professional administrators, men hired by capital to manage the business affairs and to pay dividends. At first, efforts were made to engage executives who were familiar with the particular business concerned; in other words, a railroad president should have worked his way up from the shops, or the head of a bakery should know how to make bread. This idea of 'coming through the mill' gradually changed into the belief that a good ex-

ecutive could run any business. This was brought about partially, at least, by canges in our financial system. The modern president's job is to know what goes into the balance sheet rather than what goes into the product. We find, therefore, railroads headed by lawyers, utilities and manufacturing industries headed by bankers, and universities headed by military leaders. Administration has grown to be a recognized profession and many of the larger institutions of learning offer courses of study leading to degrees in business administration.

Since it is recognized that a man can run a business without knowing anything about it, a new field is being opened up for the politicians. There are strong indications that professional administration will be superseded by political administration, and the head of a concern will no longer manage the affairs according to his own judgment but will merely act as a clearing house for governmental dictations. It is almost impossible to forsee the ultimate result of this trend but Canadians have a ringside seat from which they watch proceeding in the United States and draw conclusions from the results of an actual trial.

Conclusion

It should not be assumed that the end of this talk is the end of the story. The trends that I have tried to outline are merely a few of the prominent ones which should be sufficient to show that changes are in progress. The industrial system is very weak at the best of times, and in dull periods is not even self-supporting, so, if any of the present day trends will lead to stabilization of a sound character that will enable both capital and labour to prosper, it will be a great boon to the future.

INCORPORATED ACCOUNTANTS' YEAR BOOK 1934

The Incorporated Accountants' Year Book 1934, being the 47th volume of the series issued by the Council of the Society of Incorporated Accountants, is now published.

The volume extends to 1711 pages. Alphabetical and topographical lists of members and firms (of which at least one member is an Incorporated Accountant) are set out. The book contains the names of 6151 members, of whom 5075 are in England and Wales, 127 in Scotland, 158 in Ireland and 791 in the British Dominions, Colonies and in foreign countries. The Society has Branches and District Societies in the leading cities and towns of Great Britain and Northern Ireland, and throughout the British Dominions. There is indicated against the name of each town, the name of the branch or district Society in the area of which it is situated. A special section of the book is devoted to the Examination and publications of the Society, to the facilities at Incorporated Accountants' Hall, and to the Incorporated Accountants' Benevolent Fund.

"Why did you break off your engagement?" asked Bill's inquisitive pal.

"Well, we were looking over our new house when my prospective mother-in-law said it would be rather small for three people; so I gracefully retired."

THE CANADIAN SOCIETY OF COST ACCOUNTANTS AND INDUSTRIAL ENGINEERS

EXAMINATIONS
(Regulations as amended, October 27, 1933.)

A.—General

1. The Society will grant a Certificate of Efficiency in Cost Accounting and Business Organization and Administration to each person passing its two examinations and submitting a satisfactory thesis.

2. The examinations will be held on the first consecutive Monday and Tuesday in May of each year, at such points as may be decided by the Society. The Society will endeavor to hold an examination at any place where there are four or more candidates.

3. Application to try an examination in the following May, may be made up to February 28 each year, on the form provided by the Society.

4. Candidates for the First Examination must have attained the age of 21 years, and must have at least two years' experience in accounting or cost accounting.

5. Candidates for the Second Examination must have passed the First Examination and must have at least four years' experience in accounting or cost accounting, and must be members of the Society, with fee paid in full for the Society's financial year in which the examination is held.

6. Candidates are at liberty to answer questions in either English or French. Good composition and spelling are general requirements.

7. The pass mark for each subject shall be 60 per cent., and the honor mark 80 per cent.

8. Candidates for the First Examination may obtain exemption from subjects a or b of the First Examination, by applying for such exemption and furnishing satisfactory proof: (a) That they have passed the Intermediate Examination of any of the following bodies: Any Society or Institute belonging to the Dominion Association of Chartered Accountants; Corporation of Public Accountants of the Province of Quebec; Institute of Accountants and Auditors of the Province of Quebec; Association of Accountants and Auditors of Ontario; General Accountants' Association; or (b) That they have passed equivalent examinations, of which the Society approves, in any of these subjects.

9. A candidate for the First Examination must pass all subjects of that examination within a period not exceeding three years. A candidate for the Second Examination must pass both subjects of that examination at the one time.

10. The fees for examination are: First Examination. one subject $5, complete $10; Second Examination complete $10. The fee must accompany the application, and will be returned if the application is refused, or if an examination is not held in a place which in the opinion of the Society is sufficently convenient for the candidate.

11. Candidates will be supplied with paper suitable for the examinations.

12. A candidate found guilty of any dishonest practice in an examination will be liable to permanent disqualification for examination standing and for membership in the Society.

13. There rules are subject to amendment at any time by the directors of the Society.

B.—First Examination

14. The subjects for the First Examination shall be as follows:

a. Bookkeeping, including double entry, control accounts, columnar journals, closing of books, etc., also simple knowledge of bills of lading, cheques, etc.

b. Accounting, including main principles, capital and revenue, expenditure and receipts, apportionment of expense over departments, and preparation of statements of manufacturing, trading, profit and loss, net income, surplus or appropriation, balance sheets, etc.

c. Cost Accounting, including main principles and records, factory ledgers, distribution of factory overhead, wages, receipts and issue of materials, etc.

15. The time allowed for examination shall be three hours for each of the above subjects.

C.—Second Examination

16. The subjects for the Second Examination shall be as follows:

a. Cost Accounting, advanced.

b. Business Organization and Administration.

17. The time allowed for examination shall be four hours for Cost Accounting and three hours for Business Organization and Administration.

18. Each candidate will be required to mail to the Society's office, within one year from the date of the examination, a thesis describing an entire costing system, including specimens of the principal forms used. This thesis shall be prepared privately by the candidate, and must be entirely his own composition. Two copies must be forwarded to the Society, one entirely in the handwriting of the candidate, and one typewritten. The thesis should not exceed 10,000 words in length.

OUTLINE OF SUBJECTS

First Examination

(a) Bookkeeping

Principles of debit and credit, and the double entry bookkeeping system, including the use of control accounts for subsidiary ledgers, up to and including the closing of a set of books and preparation of trading and profit and loss statements and balance sheets; invoices, statements of account, etc.; bills of exchange and notes; bills of lading and other commercial documents; capital and revenue receipts and expenditures; reserves for bad debts and discounts; depreciation and reserves for depreciation; columnar journals for departmental concerns; cash books, where cash, etc., banked daily, and where not; imprest system for petty cash; adjustments for interest, expenses paid in advance, accrued charges, etc.; working sheets; single entry.

Books Suggested:

120 Graduated Exercises in Bookkeeping, by Thompson, published by Sir Isaac Pitman & Sons (Canada) Ltd., Toronto. $1.50. Key $1.00. Knowledge of definitions on pages 11, 13 from capital cash receipts to end, 15, 17 from gross profit to end. Knowledge of the uses of all rulings, pages 25, 58.

Accounting, by Smails & Walker, published by Ryerson Press, Toronto. $4.50. Chapters 1-7.

Canadian Modern Accounting, by Sprott & Short, published by Commercial Text Book Co., Toronto. $3.50.

(b) Accounting

Operating Statements and Balance Sheets: Trading, general operating or profit and loss, net income, surplus or appropriation, etc.; current and fixed assets and liabilities.

Partnership: The agreement, various kinds of partners, etc.; various methods of sharing profits and losses; closing off a set of partnership books; admission of a new partner; consolidation of partnership, dissolution and sale to a company.

Goodwill and Its Valuation.

Manufacturing Accounts: Definition of charge-headings and subdivision and grouping; factory ledger and its accounts; closing off the books of a manufacturing partnership and of a manufacturing company; manufacturing statements.

Criticism of Operating Accounts: Methods of comparison of figures for successive periods; cross-checks.

Departmental Accounts: Organization and records required; internal check; distribution of expenses over departments; statements to show results of departments separately; comparison of results of departments operations.

Voucher Register System.

Depreciation, various kinds, etc.

Reserves, Sinking Funds, etc.: Reserves which must be made before net profits ascertained; reserves of profits.

Various Methods of Quotation: F.O.B., C.I.F., etc.

Incorporated Companies: How a public company is formed; directors, shareholders, etc.; public and private companies; limited liability; common and preferred share capital; different kinds of shares, par and no-par value share; authorized, subscribed, called and paid capital; bonds and debentures, discounts and premiums; capital and revenue profits and losses; dividends.

Books Suggested:

120 Graduated Exercises in Bookkeeping, by Thompson, published by Sir Isaac Pitman & Sons (Canada) Ltd., Toronto. $1.50. Key $1.00. Exercises R to Z, AA, BB and CC. Knowledge of all definitions, pages 11-17. Knowledge of subdivision of statements as per pages 59-61.

Accounting, by Smails & Walker, published by Ryerson Press, Toronto. $4.50. Chapters 1-11 and 13. Chapter 14, pages 192-200. Chapter 21 for section regarding operating accounts only.

(c) Cost Accounting

A knowledge of the fundamentals of cost accounting, the essential records, and methods of arriving at cost, including the following: Purposes of cost accounting; classification of cost; process cost accounting; specific order cost accounting; manufacturing expense theory; use of cost records; controlling accounts and perpetual inventories; classification of accounts; accounting for materials; material storage and consumption; valuation of materials; accounting for labor costs; accounting for manufacturing expense; distribution of service department cost; distribution of manufacturing expense to production; the cost to make and sell; monthly closing entries; prepartion of analytical statements; comparative statements; special conditions.

Books Suggested:

Cost Accounting, by W. B. Lawrence, published by Prentice-Hall, Inc., New York. $5.00. Chapters 1-20.

Business Costs, by Eggleston & Robinson, published by Appleton & Co.. New York. $6.00.

Cost Accounting, by Nicholson & Rohrbach, published by Ronald Press Co., New York. $5.00.

Industrial Accounting, by Sanders, published by McGraw-Hill Book Co., New York. $4.00.

Cost Accounting, by Jordan & Harris, published by Ronald Press Co., New York. $4.00.

Second Examination

(a) Cost Accounting

Advanced and detailed knowledge of costing problems, records and practices, and cost of accounting in relation to inventories, budgetary control, and other devices of the various departments of a business, including the following: Job costs; process costs; building up a cost sheet, and accessory forms such as requisition notes, time tickets, perpetual inventory cards, etc.; relation between general and cost accounts; statement of cost of goods manufactured; statement of trading; statement of profit and loss; ratios of management; presentation of costs to management; comparison of costs among competing companies; debatable methods; interest on investment; graphic charts; relative values; estimating cost systems; establishment of standard rosts; uses of standard costs; advantages of auditing; uniform methods.

Books Suggested:

Cost Accounting, by W. B. Lawrence, published by Prentice-Hall, Inc., New York. $5.00. Chapters 1-20.

Business Costs, by Eggleston & Robinson, published by Appleton & Co.. New York. $6.00.

Cost Accounting, by Nicholson & Rohrbach, published by Ronald Press Co., New York. $5.00.

Industrial Accounting, by Sanders, published by McGraw-Hill Book Co., New York. $4.00.

Cost Accounting, by Jordan & Harris, published by Ronald Press Co., New York. $4.00.

(b) Business Organization and Administration

A knowledge of internal organization, both office and plant, of leading types of business concerns, and the functioning of the various departments, including the following: Legal forms of business; geeral plan of organization of a business; departmental functions and organization—purchasing, production, advertising, sales, shipping, finance, stores, accounting, cost accounting, credit and collection, engineering, traffic, power, maintenance; executive control; location of plant; design and equipment; office organization and management; factory organization and management; employment; wage systems; welfare work, development of new products; net profit angle.

Books Suggested:

Administration of Industrial Enterprises, by Jones, published by Longmans, Green & Co., New York. $3.75.

Thesis:

A description which should not exceed 10,00 words in length, of an entire costing system in a major industry, and including specimens of the principal forms used. It should cover actual costs, standard costs, and budgetary control. A description of costing in a small concern may be accepted if it covers both fundamentals and details.

Undergraduate (after slapping the wrong man familiarly on the back): "Oh, pardon me, sir! I thought you were someone else."

Stranger (icily): "You were quite correct. I am."

* * * *

Dined—I see that tips are forbidden here."

Waiter—Lor' bless yer, mum, so was the apples in the Garden of Eden.

TARIFF and TAXATION

Department of National Revenue—Departmental Rulings

Ottawa, 4th January, 1934.

THE INTERMEDIATE TARIFF EXTENDED TO AUSTRIA FOR FURTHER PERIOD OF ONE YEAR.

By Order in Council (P.C. 2705) dated 29th December, 1933, the benefit of the intermediate tariff is extended for a further period of one year from 1st January, 1934, to products originating in and coming from Austria when imported direct, conveyed without trans-shipment from a port of Austria or from a port of a country enjoying the benefit of the Preferential or Intermediate Tariff into a sea, lake or river port of Canada.

Ottawa, 8th January, 1934.

Part X of The Special War Revenue Act, Section 77A, Subsection (3) provides that: "No manufacturer or importer shall sell or import cigarette papers or cigarette paper tubes unless they are in packets or packages."

The Honourable, the Minister of National Revenue has been pleased to make the following regulation, under authority of Section 99 of The Special War Revenue Act:

The packets or packages of leaves or tubes aforementioned must not be broken or divided by dealers or by tobacco manufacturers who pack them with cut tobaccos.

Ottawa, 10th January, 1934.

The Honourable, the Minister of National Revenue has ordered that the fixed valuation on Flannelette, as set forth in Appraisers' Bulletin No. 3789, is not to apply to importations of Flannelette "Remnants" measuring less than two yards in length, effective this date.

Ottawa, 15th January, 1934.

DRAWBACK ON PISTON CASTINGS AND PISTON RING CASTINGS CANCELLED

By Order in Council P.C. 63/37, dated 11th instant, Order in Council P.C. 88/2388, dated 23rd November, 1933, published in departmental Memorandum No. 708, establishing regulations providing for a drawback of fifty percent of the duties paid on imported piston castings and piston ring castings, is cancelled, effective from the date thereof.

Ottawa, 15th January, 1934.

ACIDS AND CHEMICALS

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff
216	Acids, n.o.p., of a kind not produced in Canada	Free	25 p.c.	25 p.c.
208t	All chemicals and drugs, when of a kind not produced in Canada, which were on August 20, 1932, dutiable at rates of 15, 25, and 25 p.c., under Tariff Item 711	Free	25 p.c.	25 p.c.

In connection with the administration of Tariff Items 216 and 208t, according to information before the Department the following Acids and Chemicals are at the present time made in Canada.

Note: There are other acids, chemicals and drugs specifically provided for in the Tariff under other Items and are therefore not included in this list.

Acid Carbolic (Phenol) (Technical Grade), Acid Cresylic (Cresol), Acid Di-iodo-stearic, Acid Hydriodic, Acid Hydrocyanic, B.P., U.S.P. and 5%, Acid Nitric (Commercial Grade), Acid Sulphurous, Acetaldol, Acetaldehyde, Aluminum Stearate, Ammonia, Anhydrous, Ammonia, Aqua, Ammonia, C.P., Ammononium Acetate Aqueous Solution XX, Ammonium Iodide XX, Barium Iodide XX, Bismuth & Ammonium Citrate Aqueous Solutions, Bismuth Carbonate, Bismuth Citrate, Bismuth Gallate, Bismuth Hydroxide XX, Bismuth Nitrate XX, Bismuth Oxide XX, Bismuth Oxychloride XX, Bismuth Oxyiodide XX, Bismuth Salcylate, Bismuth Subcarbonate XX, Bismuth Subgallate XX, Bismuth Subnitrate XX, Bismuth Subsalicylate XX, Butyl Acetate, Cadmium Iodide, Caffeine Citrate, B.P., & U.S.P., Calamine Prepared N.F.V. (Mixture of Zinc Oxide and Iron Oxide), Calcium Acid Phosphate (Granular & Powder), Calcium Carbide, Carbon Dioxide, Chlorine (Liquid & Gas), Cobalt Linoleate, Copper Carbonate, Copper, Cyanide, Copper Oleate, Copper Subcarbonate, Chromium Acetate, Crotonaldehyde, Diacetyl, Ethyl Acetate (Technical Grade), Extract from Pituitary Body, Posterior Lobe, Glycerine, Iodine Resublimed (B.P. and U.S.P.), Iodoform B.P. and U.S.P., Iron Chloride Aqueous Solutions, B.P. & U.S.P., Iron Iodide XX, Lactose, Lead Linoleate, Lead Oleate, Magnesium Sulphate (Dry Powder), Manganese Linoleate, Mercury Ammoniated XX, Mercury Ammonium Chloride (White Precipitate), Mercury Biniodide, Mercury Bichloride XX, Mercury Chloride (ic) XX (Corrosive Sublimate), Mercury Chloride (ous) XX (Calomel), Mercury Iodide XX, Mercury Nitrate, Milk of Magnesia, Milk Sugar, Nickel Carbonate, Nitrous Oxide Gas, Ortho-Cresol, Oxygen, Paraldehyde, Potassium Acetate XX, Potassium Citrate XX, Potassium Iodate XX, Potassium Iodide XX, Silver Bromide XX, Silver Chloride XX, Silver Cyanide XX, Silver Iodide XX, Silver Nitrate XX, Sodium Acetate U.S.P., Sodium Citrate XX, Sodium Carbonate (C.P. Anhydrous & Pure Dried Powder), Sodium Hypochlorite (U.S.P. & C.P.), Sodium Iodide XX, Sodium Lactate Aqueous Solutions XX, Sodium Perborate Flavoured, Sodium Phosphate (Monobasic U.S.P. and C.P.), Sodium Pyrophosphate (U.S.P. and C.P.), Sodium Sulphate (Technical & Pure Dried Powder), Sodium Tartrate (Normal or Neutral), Strontium Iodide XX, Sulphur Dichloride (Sulphur Chloride), Sulphur Dioxide (Liquid) (Commercial Grade) (Refrigeration Grade not made), Thymol Iodide (Iodothymol) XX, Toluene (Toluol) (Commercial Grade), Turfcalomel (Mercurial), Vinyl Acetate, Zinc Cyanide, Zinc Oleate, Zinc Stearate, Zinc Sulphide.

Note: XX shown opposite any items in the above list denotes "All Grades."

Ottawa 16th January, 1934.

DRAWBACK ON IMPORTED SPIRITS USED IN THE MANUFACTURE OF SPIRITS EXPORTED

By Order in Council (P.C. 64/37), dated 11th January, 1934, the regulations governing drawback on imported spirits used in the manufacture of spirits exported, established by Order in Council (P.C. 54/2388), dated 23rd November, 1933, published in Memorandum No.

707 and Circular No. 743-C, dated 28th November, 1933, were amended by the insertion of the word "hereafter" immediately following the word "spirits" in the second line of the first paragraph of the regulations, as printed in the memorandum and circular referred to.

Memorandum No. 707 and Circular No. 743-C referred to should be amended accordingly, the amendment being effective from 23rd November, 1933, the date of the Order establishing the regulations.

Ottawa, 17th January, 1934.

RE: GREEN PEANUTS IN THE SHELL

The Honourable the Minister of National Revenue has been pleased to establish the following regulation under the authority of Sections 99 and 114 of the Special War Revenue Act and Section 41 of the Customs Act, and is effective on and from January 22nd, 1934.

This regulation supercedes and cancels Circular No. 740-C in the same connection.

The value of green peanuts in the shell imported, for sales tax purposes, shall be 6½c. per pound and the sales tax is to be applied on this value at the time of importation.

The special excise tax of 3% will be collected on the duty paid value as heretofore.

The sales tax will be collect on all importations of green peanuts in the shell on the value aforestated.

Licenses issued in your port to roasters of peanuts are to be cancelled forthwith and Excise Tax Auditors are being asked to make an assessment on the inventories of green peanuts in the hands of licensees at the date of cancellation of their licenses. The value to be used for this assessment is 6½c. per pound.

The above regulation has been approved in order to simplify the collection of the tax on this commodity and to place all importers on a common basis for the payment of the tax. It is established, after investigation, that the value given above represents the fair market price for roasted peanuts under present conditions and will be subject to adjustment from time to time as may be found necessary.

Ottawa, 18th January, 1934.

ENTRY OF WIRE ROPE UNDER TARIFF ITEM 411A

Memorandum No. 206 is hereby cancelled and the following certificate is prescribed for use in connection with wire rope for entry under Tariff Item 411a:

> "I hereby certify that the wire rope referred to on this entry and accompanying invoice is for use exclusively in the operation of logging in connection with the logging operations of .... (name of logging company) ...., such operation including the removal of the log from stump to skidway, log dump, or common or other carrier, and that none of the wire rope will be used for guy ropes or in braking logs going down grade.

....
Signature of official or duly
authorized agent of logging company.

Dated at ....
this .... day of
.................., 19 ."

Ottawa, 19th January, 1934.

REGULATIONS RESPECTING TRAVELLERS' SAMPLES

Memorandum No. 663 is hereby amended by the addition of the following regulation pertaining to Samples from British or Most Favoured Nation Countries, which, after temporary entry has been accepted on deposit, are taken to the United States and returned within twelve months from the date of the temporary entry:

11. Samples admitted to temporary entry on deposit under the special regulations respecting samples from British and Most Favoured Nation Countries may be taken to the United States by the traveller and returned to Canada merely upon report at Customs at any time within twelve months from the date of the temporary entry. On their return the samples may be admitted without entry if, upon being checked by a Customs Officer against the copy of the temporary entry and invoice in possession of the traveller, the officer is satisfied that the samples are those referred to in such temporary entry.

Ottawa, 20th January, 1934.

The fixed valuation for duty purposes on Brussels Sprouts, as set forth in Appraisers' Bulletin No. 3877, is hereby cancelled effective the 20th January, 1934.

Ottawa, 20th January, 1934.

The fixed valuation for duty purposes on Beets, as set forth in Appraisers' Bulletin No. 4049, is hereby cancelled effective the 20th January, 1934.

Ottawa, 25th January, 1934.

TARIFF CHANGE BY ORDER IN COUNCIL

By Order in Council (P.C. 80), dated 23rd January, 1934, the following regulation was established under the authority of paragraph (k) of Section 284 of the Customs Act, effective on and after 1st January, 1934:

Regulation

"The following article imported to be used as material in Canadian manufacturers shall be entitled to entry free of duties of Customs under all tariffs, until the 30th day of June, 1934, namely:—

Ethylene Glycol, when imported by manufacturers of anti-freezing compounds to be used exclusively in the manufacture of anti-freezing compounds, in their own factories—

British Preferential Tariff	Free
Intermediate Tariff	Free
General Tariff	Free

(To be designated as Tariff Item No. 816)".

TARIFF BOARD

Thursday, the 11th day of January, 1934.

In the Matter of Entry Number 29165A bearing date of November 13, 1933, in respect of an entry for home consumption of goods exported to Canada direct from Great Britain via Montreal, imported by the Commercial Twine Company, Limited.

Upon the application of the Commercial Twine Company, Limited, made the ninth day of January, 1934, at a hearing called for the pur-

pose of considering the application, in the presence of L. A. Wilmot, representing the Commercial Twine Company, Limited, no one appearing for the Department of National Revenue although duly notified, and, it appearing to the Tariff Board that the goods described in said Entry Number 29165A have been allowed entry at an erroneous valuation and that the provisions of The Customs Act requiring the appraisal of the said goods at the true and fair market value thereof have not been complied with in that the appraiser or collector erroneously acted under the provisions of Section 43 of The Customs Act, which Section does not apply to goods entitled to entry under the British Preferential Tariff, the goods described in the said Entry Number 29165A being goods entitled to entry under the British Preferential Tariff,—

1. The board hereby appraises and values the said goods, being 10 bales Jute Twist wholly or in part of vegetable fibre generally used for packaging, not containing silk or wool, at the invoice value thereof in currency of invoice namely, £26.9.10, the value for duty of the same in dollars being $129.00, and the rate of duty being 20 per cent ad valorem less 10 per cent, and, the board declares that the total customs duty properly payable upon the said importation was and is $23.22, and that the duty paid value of the said goods is $152.22.

2. And the board hereby directs an amended entry giving effect to the appraisal and valuation hereinbefore set forth and that the Department of National Revenue do forthwith refund to the Commercial Twine Company, Limited, the sum of $16.57 being the difference between $39.79, and amount of customs duty paid in respect of said Entry Number 29165A, and $23.29, the amount of customs duty properly payable in respect of the goods covered by the said entry.

TREASURY BOARD

Certified to be a true copy of a Minute of a Meeting of the Treasury Board, approved by His Excellency the Governor General in Council, on the 11th January, 1934.

The Board recommend that Order in Council dated 23rd November, 1933, P.C. 88/2388, establishing regulations providing for payment of a drawback of fifty per centum of the duties paid on piston castings and piston ring castings imported into Canada, be cancelled, effective from the date thereof.

Certified to be a true copy of a Minute of a Meeting of the Treasury Board, approved by His Excellency the Governor General in Council, on the 11th January, 1934.

The Board recommend that Order in Council dated 23rd November, 1933, P.C. 54/2388, by which certain regulations were made respecting drawback of duty and taxes paid on imported spirits used in the manufacture or production of spirits exported, be amended by inserting immediately following the word "spirits" in the third line of Regulation 1, the word "hereafter," such amendment to have effect from the date of the said Order in Council.

If Robinson Jones calls today tell him I'm out."

"Yes, sir."

"And—er—don't be doing any work when he calls or he'll know you're lying."

Accounting Service For The Trade Association

BY GEORGE PRICE ELLIS, C.P.A.

(From The Certified Public Accountant)

THE new emphasis in NRA upon developing and strengthening trade associations holds interesting possibilities for the accounting profession. The intention of the Administration is, plainly, to give industry a chance to govern itself to the degree that effective trade associations can be found competent for the job.

There are not so many associations that measure up. Very few indeed have gone through the travail of the anti-trust laws to develop acceptable open-price associations, cooperative production and market statistics, and comprehensive trade-practice codes, that were both legal and effective. Those that have been through the storm and stress have now a working basis for the much broader activity permitted under the codes.

The greater number of trade associations have no such established foundation. Hence they have the double problem of code-organization, and of educating their membership. Here the accountant has an important function to perform for them which the industry may not immediately see of itself. The accountant is as much needed in the drafting of codes as in the later compilation of uniform accounting data for enforcement. Yet in a great many codes, the accountant has not been called in consultation. Perhaps, an agreement is rushed through prohibiting "selling below cost," but without any sort of definition—accounting or otherwise—of what shall constitute "cost." Minimum wages and maximum hours have been set for an industry without, it is certain, a very sound knowledge of average operating costs or of the effect of fundamental changes in operating methods upon the market, upon gross and net income, or upon the long-time trend in the industry. Clauses requiring uniform cost accounting systems to be established by the code Authority have been written into codes, when even unit costs are not known with anything approaching accounting accuracy. Production control has been established in some instances, without any underlying analysis of how this control will weigh upon different cost structures. In the rush to push through a code, provisions have been approved whose justification if any, must be found in the uncertain future. Meantime, there may be hardship, perhaps actual breakdown of code-government.

The question raised in formulating a code are many of them accounting questions upon which accounting advice should be sought by an association before the code is adopted. For, after the code is adopted, a large part of its effectiveness must depend upon the adequacy of the accounting service given to the association; and accounting omissions in the "law merchant" are bound to affect operation under it.

The accountant, in short, has an apportunity to do for an entire industry what he has long been accustomed to do for individual business. The trade association is simply a collection of individual units; it has need of the same kind of professional advice. Unit costs must be comparable; average costs must reveal trends and estab-

lish median standards as a check upon unit operations. If production control and price information are to have any meaning, the composite picture of costs must be accurate and revealing, in the same way that an individual business must know its costs with considerable accuracy. One may say that code-government implies wholesale education in cost accounting. Not until one has cooperated in the drafting of codes for unorganized industries, does one have any conception of the almost complete lack of understanding in many quarters of what constitutes the cost of doing business. The simplest control system that could be installed may seem to the layman to be whelmingly complex. One trembles for the accuracy of trade statistics built upon half-understood accounting operations. Accounting service must therefore be rendered in such form that the layman can understand and utilize the professional findings. The trade association and the accounting service must work hand-in-hand to this end.

Business men must be shown that their protection in open-price competition rests upon adequate cost accounting and business management. They must see that production control through curtailment, quotas or elimination of high-cost competition rests upon accounting data. They must see that code compliance turns in the main upon accounting data; that the test of selling below cost is a matter of accounting determination. In short, business men must rely, under the codes, upon professional accounting in greater degree than formerly, in order to satisfy code requirements. The accountant can supply the information; but only the trade association can teach its membership an understanding of the accountant's place in the fulfillment of code obligations.

The accountant who successfully fulfills his obligations as code counsellor must therefore be more than a technician. He must be a great deal more beside. He must be as heretofore the analyst par excellence and the business engineer seeking ways to low-cost efficiency. He must be, more than in the past, the business doctor and diagnostician. Even more, however, he must bring to bear an ethical leadership and a judicial detachment. The accountant is a public servant in a broader sense than heretofore. As such he must bear in mind the purpose of the Act and cooperate with it, insofar as is technically possible. In a clash of interest between the client's and social interest, the accountant must choose the social interest.

In short, industrial self-government relies upon fundamental accounting service. The adequacy of the prescription is a test of the consulting accountant; but its effectiveness is a test of the trade association's usefulness as a cordinating and educational body.

"Is Jinks careless with his money?"

"Is he! I've known him to buy bread when he did'nt have a drop of gasoline in the tank!"

* * * *

Bursting open the door marked "Private", the butcher confronted the local lawyer.

"If a dog steals a piece of meat from my shop, is the owner liable?" he asked the man behind the desk.

"Certainly," replied the lawyer.

"Very well, your dog took a piece of steak worth half a dollar about five minutes ago."

"Indeed," he returned smoothly. "Then if you give me the other half, that will cover my fee."

CHAPTER NOTES

VANCOUVER

Reported by Maurice Willis, Secretary

Mr. S. Farquharson member of the Montreal Chapter who is in Vancouver at the present, was the speaker when the members met on Tuesday, January 9th his subject being, Brief Survey of Industrial Engineering Method.

Due no doubt to Mr. R. B. Bennett being in the city as well, many members failed to turn up to hear a good lecture which turned into a round table discussion on various economic subjects. As Mr. Farquharson pointed out, the cost accountant should have a wide outlook on all matters and the lecturer showed that he could handle all questions from his large store of knowledge.

On December 12th Mr. T. F. Phillips of the Sterling Food Markets Ltd., and a member of the Vancouver Chapter spoke on "Accounting System for Retail Chain Meat Market'. It is impossible to give a resume of this lecture in this column, but this address will be published in full in Cost and Management.

The lecturer on November 21st was Mr. E. A. Cowley of the International Business Machines Ltd., and a member of the Vancouver Chapter who took as his subject, "Sales Costing". Mr. Cowley in this talk brought out some very good suggestions which should be known to all sales managers.

TORONTO

Reported by Scott Fyfe, assistant secretary

Speaking to a relatively small portion of the membership of Toronto chapter on January 24, Mr. J. E. Carruthers, cost accountant and customs and export consultant, gave one of the finest talk it has been our privilege to hear this season. Mr. Carruthers dealt with his subject, "Import and Export Problems", in two divisions, with a lively discussion being engaged in after each section of the talk. The fact that outside disturbances required the adjournment of the meeting to another room of the hotel after the first of the talks, had no detrimental effect whatsoever on the success of the meeting.

For the next meeting, the program committee is to be congratulated on having secured Mr. Denton Massey, of York Bible Class and radio advertising fame, to speak on the subject "Advertising in Relation to a Period of Depression". With a speaker of such prominence, and a subject of such general interest, a most entertaining and instructive evening is assured.

A Chicago man while hunting in the Maine woods was mistaken for a deer and shot at several times.

He says he felt perfectly at home.

WAGE RATES DECLINED IN 1933

(From the Financial Post)

Wage rates in every important group in 1933 were carried back to 1916-1919 levels, according to figures supplied to The Financial Post this week by the Department of Labor, Ottawa. The drop in official wage rates was almost as severe as that experienced in 1932, when rates declined more sharply that at any time in the previous decade. In logging and sawmilling the decline was the sharpest ever experienced since the record was first compiled in 1911.

Average decline in wages of skilled workers as indicated by the trend in six key groups for which data are available, shows that the drop in 1933 was 4.6 per cent. A year ago wages fell 6.1 per cent. These figures do not, of course, take into consideration the actual decline in payroll due to short time nor to the trend of wages outside official wage scales as reported to the bureau from leading Canadian cities.

Building Trades Hit

By specific trades, building suffered most heavily among the skilled trades during the year, with a drop of over 11 per cent, according to official records. Not only that, but admittedly much work was done during the year at considerably below this figure. The index is now at the lowest point since 1919. Coal mining wage rates suffered least, with a drop of little more than 1 per cent.

Wage rates paid to common factory labor declined 3.2 per cent in 1933 as against an increase in 1932 of 5.3 per cent. In miscellaneous factory trades the rates fell off 3.6 per cent, while in logging and sawmilling the slump was 14 per cent, as compared with a tumble of 13.3 per cent a year ago. Wage rates in this group are now back to the 1916 level. All other groups are back to the level of 1918 and 1919 except for rates in the printing trades, which are now back to 1920 levels, according to the department indices.

Comparative figures for the past seven years are shown below. It must be noted that the "average" rate for all skilled workers is the simple average of the yearly index for the six key trades for which data are available. The bureau also notes one change in the year which affects earlier indices, namely, that in the new report the figure for wage rates in the electric railways is given on an hourly wage basis instead of daily basis as in 1931 and 1932. Thus, the previous returns for this industry and for the average for all skilled workers has been changed accordingly.

Index Numbers of Rates of Wages for Various Classes of Labor in Canada

(Rate in 1913=100)

Skilled Workers:	1933	1932	% Change 1933-2	1931	1930	1929	1928	1927
Building Trades	158.0	177.9	—11.1	195.7	203.2	197.5	185.0	179.3
Metal Trades	169.2	174.7	— 3.1	182.9	186.6	184.6	180.1	178.1
Printing Trades	184.3	194.2	— 5.1	205.1	203.1	203.3	202.3	195.0
Electric Railways	182.7	191.1*	— 4.4	198.6*	199.4	198.6	194.1	189.9
Steam Railways	179.7	183.9	— 2.3	199.2	204.3	204.3	198.4	198.4
Coal Mining	161.9	163.8	— 1.2	169.4	169.4	168.9	168.9	167.9
Average	**172.6**	**181.0**	**— 4.6**	**191.8**	**194.4**	**192.7**	**187.4**	**184.8**
Common Factory Labor	168.1	173.7	— 3.2	138.4	188.2	187.8	187.1	187.7
Mics. Factory Trades	175.7	182.1	— 3.6	197.3	202.3	202.1	200.9	199.4
Logging and Sawmilling	121.7	141.3	—14.0	163.0	183.9	185.6	184.3	182.9

* Changed to put returns again on an hourly wage basis instead of daily.

THE TREND OF PRODUCTION COSTS

Commodity prices as measured by the Dominion Bureau of Statistics index number which is based on the year 1926, rose from 68.7 in November to 69.0 in December. The following is a comparison by main groups:

	Dec. 1932	Nov. 1933	Dec. 1933
Foods, beverages & tobacco	59.5	66.3	67.2
Other consumers' goods	77.0	77.1	77.4
All consumers' goods	70.0	72.8	73.3
Producers' equipment	87.7	85.4	87.2
Building & construction materials	75.7	80.7	80.7
Manufacturers' materials	50.8	58.8	58.6
All producers' materials	55.3	62.8	62.6
All producers' goods	58.6	65.1	65.1
All commodities	64.0	68.7	69.0

The principal declines in December were in the following: Foreign fresh fruits, dried fruits, grains, animal fats, eggs, tin. The principal advances in December were in the following: Domestic fresh fruits, live stock, meats and poultry, milk and its products, raw wool, wool yarns, woollens, wood pulp, scrap iron.

DEATH OF FRANK A. FERNIE, MONTREAL

Frank A. Fernie, a member of Montreal Chapter, died in Montreal on January 23rd, after a short illness. Mr. Fernie was a former member of Montreal Chapter board, and also of our Dominion Board. He was born and educated in England, came to Canada in 1911, served overseas during the war, and on his return to Canada entered the employ of the Whittall Can Company, Ltd., soon rising to the position of secretary-treasurer. He remained with that company until 1932, since when he had been interested in several business undertakings.

Magistrate: "You've committed six burglaries in a week.'

Culprit: "That's right. If everybody worked as 'ard as I do we'd soon be on the road to prosperity."

* * * *

Visitor: "Are you sure Mrs. Wilson is not in?"

The maid (coldly): "You doubt her word ma'am?"

* * * *

He—What was the commotion in the office today?

She—An out-of-town buyer came in and the boss fainted.

* * * *

The other day I heard of one of these baby autos speeding 50 miles an hour on one of our main highways. At every 50 feet the little trinket would hop right up in the air about five feet. A motor cop finally overtook the midget motor and brought it to a stop.

"What's the big idea of that car jumpin' that a-way?" asked the cop.

The driver answered:

"Why, officer, there's nothing wrong with the car. You see I—I've got hic—the hiccups!"

REFERENCE LITERATURE

RECEIVED IN JANUARY

Selling and Distribution, Cost Accounts of. The Accountant, December 23, 1933.

Installation of a Cost System. The Accountant, Jan. 20, 1934.

Industrial Codes, Selling-Below-Cost Provisions in. National Association of Cost Accountants, Jan. 15.

Standards, Measurement and Control of Industrial Activity by Cost. The Cost Accountant, December, 1933.

Bakery, Accounting System for. Canadian Chartered Accountant, January, 1934.

Brewing Industry, Standard Costs & Flexible Budgets in. National Association of Cost Accountants, Jan. 1.

Alcohol, Gin & Whiskey, Accounting for Distillers of. National Association of Cost Accountants, Jan. 1.

In a New Orleans court a man was charged with abusing his team and using loud and profane language. One of the witnesses was an old negro.

"Did he indulge in profanity?"

The witness seemed puzzled, so the lawyer put the question in another form.

"What I mean, Uncle Sam, is did he use words that would be proper for a minister to use in a sermon?"

"Oh, yes sah," the old man replied, with a grin, "but dey'd have to be 'ranged in different order."

* * * *

From Francis Killane comes the report about the editor of a small town rag who explained the loss of the letter "s" from the one machine in the composing room. It went this way: "Latht night thome thneaking thcondrel thole into our compothing room and thwiped the cabinetth containing all the letter eththeth. Therefore we would like to take advantage of thith opportunity o apoligize to our readerth for the general inthipid appearance of the newth in the paper. We would altho like to thate that if at any time in the yearth to come we thhould thee thith dirty thnake in the grath about the premitheth, it will be our complete and thorough thatithfaction to thoot him full of holeth. Thankth."

* * * *

Nurse: "It's a boy, sir, and weighs six pounds.

Happy father (a butcher): "Without bone?"

* * * *

The artist was painting a lovely thatched cottage.

Farmer—What are you going to do with that picture of my cottage?

Artist—I shall send it to an exhibition.

"Will many people see it?"

Thousands, I hope."

"Then would you mind putting on it 'To let for the summer months!' "